

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Bear Lake Township	County Manistee
Audit Date 3/31/04	Opinion Date 7/7/04	Date Accountant Report Submitted to State: 9/30/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Wilson Ward CPA Firm			
Street Address PO Box 205		City Interlochen	State MI
Accountant Signature <i>Wilson Ward CPA Firm</i>		ZIP 49643	Date <i>9/30/04</i>

BEAR LAKE TOWNSHIP
MANISTEE COUNTY, MICHIGAN

BEAR LAKE, MICHIGAN

Audit Report

For Year Ended
March 31, 2004

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July 7, 2004

Ms. Leslie Smith, Supervisor
Bear Lake Township
Bear Lake Township, Michigan

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Bear Lake Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Bear Lake Township are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into Bear Lake Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Bear Lake Township that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The information was made available timely and in an organized manner by the clerk and treasurer.

COMMENT: The accounting system while mechanized is not implemented to it's capability.

RECOMMENDATION: Insure that the conversion to the new mechanized system is completed and used. This will also greatly improve the use of reports for regular financial management.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the township. Thank you for the opportunity to work with Bear Lake Township.

Sincerely,

A handwritten signature in black ink that reads "David E. Wilson CPA". The signature is written in a cursive, flowing style.

David E Wilson, CPA

BEAR LAKE TOWNSHIP
TABLE OF CONTENTS

Page No.

1	<u>INTRODUCTORY SECTION</u>
2	Independent Auditor's Report on Internal Control Structure and Compliance Based on an Audit of General Purpose or Basic Financial Statements Performed in Accordance with Government Auditing Standards
3	<u>FINANCIAL SECTION</u>
4	Independent Auditor's Report
5-6	Management Discussion and Analysis
7	Government Wide Statement of Net Assets
8	Government Wide Statement of Activities
9	Government Funds Balance Sheet
10	Combined Statement of Revenues, Expenditures and Changes in Fund Balance
11-14	Notes to Financial Statements
15	<u>SUPPLEMENTAL DATA SECTION</u>
16	Report Letter
17	<u>General Fund</u>
18	Balance Sheet General Fund
19	Statement of Revenues, Expenditures and Changes in Fund Balance General Fund
20-23	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget vs. Actual General Fund
24	<u>Special Revenue Funds</u>
25	Combining Balance Sheet Special Revenue Funds
26	Combining Statement of Revenues, Expenditures and Changes in Fund Balance
27	Balance Sheet - Fire Fund
28	Statement of Revenues, Expenditures and Changes in Fund Balance - Fire Fund
29	Balance Sheet - Improvement fund
30	Statement of Revenues, Expenditures and Changes in Fund Balance - Improvement Fund
31	Balance Sheet - Fire Equipment Fund
32	Statement of Revenues, Expenditures and Changes In Fund Balance - Fire Equipment
33	Balance Sheet - Road Fund
34	Statement of Revenues, Expenditures and Changes In Fund Balance - Road Fund

INTRODUCTORY SECTION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Township Board
Bear Lake Township, Michigan

We have audited the statement of net assets, activities, each major fund, and the aggregate remaining fund information of the Bear Lake Township, Michigan as of and for the year ended March 31, 2004, and have issued our report thereon dated July 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bear Lake Township, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bear Lake Township, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Bear Lake Township, Michigan, in a separate letter dated July 7, 2004.

This report is intended solely for the information and use of the management, others within the organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson Ward CPA Firm

Interlochen, MI

July 7, 2004

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Bear Lake Township, Michigan


We have audited the accompanying statement of net assets, activities, each major fund, and the aggregate remaining fund information of Bear Lake Township, Michigan as of and for the year March 31, 2004, which collectively comprise Bear Lake Township, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bear Lake Township, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bear Lake as of March 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 7, 2004 on our consideration of Bear Lake Township, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Interlochen, MI
July 7, 2004

BEAR LAKE TOWNSHIP

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased 22% from a year ago - decreasing from \$606,816 to \$475,806. Most of this was for capital improvements to the infrastructure with the balance being depreciation from capital assets.

This year was the first year for the implementation of GASB 34 with the resulting changes in the financial position as reflected on the Governmental Funds Balance Sheet, Statement of Net Assets.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Township's governmental services. The amount transferred to the General Fund is supported by a detailed calculation of the current year costs of the specific capital outlay approved by the Township Board.

General Fund Budgetary Highlights:

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets

Capital Asset and Debt Administration:

As of March 31, 2004, the Township had \$582,000 invested in a broad range of capital assets, including land, buildings and equipment. In addition, the Township has invested significantly in major and local roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law which makes these roads the property of the County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates:

Bear Lake Townships's 2004-2005 budget calls for only the allocated millage of 1.3982. Bear Lake Township also has a voted millage for Fire Protection services in the amount of 0.7404. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

General Over view of the Accomplishments of Bear Lake Township in the 2003-2004 Fiscal Year:

Bear Lake has entered into an agreement for sewage treatment with surrounding communities. The facilities will be funded through user fees which will be used for operational purposes and debt repayment.

Contacting the Township's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk at (231) 864-3620.

BEAR LAKE TOWNSHIP
Government Wide Statement of Net Assets
As of March 31, 2004

	Total
<u>Assets</u>	
Cash & Investments	\$405,394
Accounts Receivable - Taxes	9,575
Accounts Receivable	0
Due from Other Funds	4,204
Prepaid Insurance	0
Net Assets	<u>68,676</u>
Total Assets	<u><u>487,850</u></u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Accounts Payable	12,044
Retirement Payable	0
Deferred Taxes Receivable	0
Due to Other Funds/Agencies	
Note Payable	
Total Liabilities	<u>12,044</u>
Fund Equity	
Fund Balance - Unreserved	<u>475,806</u>
Total Fund Equity	<u><u>475,806</u></u>
Total Liabilities and Fund Balance	<u><u>\$487,850</u></u>

BEAR LAKE TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2004

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and	
		Charges for	Capital	Changes in Net Assets	Total
		Services	Grants and Contributions	Primary Government	
Primary government					
Governmental activities:					
Legislative	\$10,065	\$0	\$0	(\$10,065)	(\$10,065)
General government	119,633	28,243		(91,390)	(91,390)
Public safety	37,361			(37,361)	(37,361)
Public works	221,843			(221,843)	(221,843)
Health and Welfare	0			0	0
Community and Economic Development	0			0	0
Recreation and Culture	317			(317)	(317)
Depreciation	40,862			(40,862)	(40,862)
Interest on Long Term Debt	0			0	0
Total Governmental Activities	430,081	28,243	0	(401,838)	(401,838)
Business Type Activities					
Enterprise Funds					
Total Primary Government	0	0	0	0	0
	<u>\$430,081</u>	<u>\$28,243</u>	<u>\$0</u>	<u>(\$401,838)</u>	<u>\$0 (\$401,838)</u>

General revenues:
Taxes

Property Taxes-general	\$116,549	\$116,549
Property Taxes-debt service	0	0
State-Shared Revenues	87,173	87,173
Unrestricted Investment Earnings	16,668	0 16,668
Franchise taxes	0	0
Contributions	0	0
Miscellaneous	50,436	50,436
Transfers	0	0

Total General Revenues-Special Items and Transfers

270,827	0	270,827
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Changes in Net Assets

(131,011)	0	(131,011)
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Net Assets - Beginning

606,816	0	606,816
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Net Assets - Ending

<u>\$475,806</u>	<u>\$0</u>	<u>\$475,806</u>
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Net Income Per Governmental Balance Sheet	(\$90,149)
Less Depreciation	<u>\$40,862</u>
Net Income Per Statement of Activities	<u>(\$131,011)</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

BEAR LAKE TOWNSHIP
Governmental Funds Balance Sheet
As Of March 31, 2004

	Governmental Fund Types		
	General	Non Major Funds	Total (Memo Only)
<u>Assets</u>			
Cash & Investments	\$154,811	\$250,583	\$405,394
Accounts Receivable taxes	7,106	2,469	9,575
Accounts Receivable	0	0	0
Due from Other Funds	0	4,204	4,204
Prepaid Insurance	0	0	0
Buildings & Improvements	0	0	0
Machinery & Equipment	0	0	0
Total Assets	161,917	257,256	419,173
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts Payable	12,044	0	12,044
Retirement Payable	0	0	0
Deferred Taxes Receivable	0	0	0
Due to Other Funds/Agencies	0	0	0
Note Payable	0	0	0
Total Liabilities	12,044	0	12,044
Fund Equity			
Fund Balance - Unreserved	149,873	257,256	407,129
Total Fund Equity	149,873	257,256	407,129
Total Liabilities and Fund Balance	\$161,917	\$257,256	\$419,173
Fund Balance Per All Government Funds			\$407,129
Add Net Assets			68,676
Fund Balance Per Balance Sheet			\$475,806

BEAR LAKE TOWNSHIP

Combined Statement of Revenues, Expenditures and Changes in Fund Balance

All Governmental Fund Types

For the Year Ended March 31, 2004

	Governmental Fund Types		
	General	Non Major	Total
	Fund	Funds	(Memo Only)
<u>Revenues</u>			
Taxes	\$76,806	\$39,743	\$116,549
Admin Fees	18,280	0	18,280
Licenses	4,056	0	4,056
State Grants	87,173	0	87,173
Charges for Services	5,907	0	5,907
Interest & Rentals	9,923	6,746	16,668
Other Revenues	2,769	47,667	50,436
Total Revenues	204,914	94,156	299,070
<u>Expenditures</u>			
Current			
Legislative	10,065	0	10,065
General Government	119,633		119,633
Public Safety	0	31,614	31,614
Public Works	123,338	104,568	227,907
Other	0	0	0
Total Expenditures	253,036	136,183	389,219
Excess Revenue (Expenditures)	(48,122)	(42,027)	(90,149)
Fund Balance - Beginning of Year	230,995	266,283	497,278
Transfers in / (Out)	(33,000)	33,000	0
Fund Balance - End of Year	\$149,873	\$257,256	\$407,129

**BEAR LAKE TOWNSHIP
FOOTNOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. Reporting Entity

Bear Lake Township is located in Manistee County, Michigan. The Township is governed by an elected five member board. Services are provided to approximately 1270 residents and include fire protection and general community enrichment services. The criteria established for determining the various agencies and boards to be included in the Township's general purpose financial statements depends on the extent such agencies and boards are a part of, controlled by or dependent on the Township. The criterion used to determine the reporting entity, "is the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials."

Based on the criterion above there are no other organizations included in these financial statements.

B. Summary of Significant Accounting Policies

Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

Basis of Accounting

Basis of Accounting refers to how revenue and expenditures or expenses are recognized in the account and reported in the financial statements. The basis of accounting, as required under generally accepted accounting principles, varies for each fund.

General, special revenue, debt service, capital projects and trust and agency funds should be accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

Enterprise funds should be accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized in the accounting period in which it is earned and becomes measurable. Expenses are recognized in the accounting period incurred, if measurable.

The accounting policies of Bear Lake Township conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use.

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of fund.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas wherein the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

3. Account Groups

Fixed Assets and Long Term Liabilities of the governmental fund types are normally accounted for through the *General Fixed Assets Account Group* and the *General Long Term Debt Account Group*, respectively.

Fixed assets other than those accounted for in the proprietary funds or trust funds are general fixed assets. General fixed assets are accounted for in the General Fixed Assets Account Group.

D. GASB 34

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, as amended, the Township has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

C. Budgets and Budgetary Accounting

The general fund and enterprise fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis the same as the modified accrual basis used to reflect operations and include those amounts formally appropriated by the Township Board.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. Excess of Expenditures over Appropriations

The local unit shall not incur expenditures in excess of appropriations. This also requires a disclosure of all such functional areas which exceeded budget. As such, a budgeted statement is included in the supplementary data portion of these financial statements.

3. Financial Control of Funds

As authorized by Act 20, Public Act of 1943, as amended, states that the Township, by resolution may authorize its treasurer to invest surplus funds in the following manner:

1. Direct obligations of the United States or an agency or instrumentality of the United States.
2. In any account or depository which is a member of the F.D.I.C. or a savings and loan which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration.
3. Fifty percent of the funds may be invested in commercial paper rated at the time of purchase within the three highest classifications by not less than two standard rating agencies and which mature not more that 270 days following the date of purchase.
4. In United States Government of federal agency obligations repurchase agreements.
5. In bankers acceptances of the United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.

4. Cash and Investments

Deposits of the Township are as authorized by the Township Board. A summary of these accounts and amounts is included in the supplemental data section of this report. All funds of Bear Lake Township have been invested in those depositories or investments as authorized by Michigan Compiled Laws Section 129.91. The balance sheet account for all funds includes all cash, investments and imprest (petty cash) funds.

In accordance with GASB Statement No. 3, risk disclosures must be made to indicate the amounts of cash insured or uninsured. A general summary of these assets is as follows:

	<u>Carrying Value</u>	<u>Bank Value</u>
Insured	\$ 100,000	\$ 100,000
Uninsured	\$ 175,394	\$ 183,035

The Township also has \$238,837 invested in certificates of deposit which are not reported according to risk.

5. Pension Plan

The Township participates in a defined contribution pension plan administrated by Municipal Retirement Systems, Inc. covering all elected officials and other full-time employees. The Township contributes the premium, based on the annual normal compensation. Plan members may make additional voluntary contributions. The Township's contribution for the year ended March 31, 2004 amounted to \$914.

6. Changes in General Fixed Assets

General Fixed Assets have been acquired for general township purposes and at the time of purchase were recorded as expenditures. All depreciation is computed using straight line with lives of 30-50 years for buildings, 15 years for equipment and 10-25 years for fire vehicles. Detailed information concerning these accounts is as follows:

	Balance 4/01/03	Additions	Deletions	Balance 3/31/04
Land, Improvements and Buildings	\$102,062			\$102,062
Vehicles	408,622			408,622
Equipment	76,469	0	0	76,469
	<u>\$ 587,153</u>	<u>0</u>	<u>0</u>	<u>\$587,153</u>
	Balance 4/01/03	Additions	Deletions	Balance 3/31/04
Accumulated Depreciation				
Land, Improvements and Buildings	\$ 79,062			\$ 79,062
Vehicles	322,084	40,862		362,946
Equipment	72,150	0	0	72,150
	<u>\$ 473,296</u>	<u>40,862</u>	<u>0</u>	<u>\$514,158</u>

7. Compensated Absences and Post Employment Benefits

The Township does not pay for compensated absences.

8. Contingent Liabilities

There are no known contingent liabilities.

9. Risk Management

The Township carries commercial insurance as a protection against risk.

10. Taxes receivable

The taxes receivable reflected in the general fund represents delinquent real property taxes and tax administration fees on delinquent real property taxes. Manistee County funds the delinquent tax roll by selling tax notes annually and distributing the proceeds to the governmental units currently. Accordingly, these delinquent taxes and related fees recorded as revenue in the current year.

SUPPLEMENTAL DATA SECTION

WILSON, WARD CPA FIRM

P.O. Box 205
3015 M-137
Interlochen, MI 49643

(231) 276-7668

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To the Township Board
Bear Lake Township, MI

We have audited the combined financial statements of Bear Lake Township for the year ended March 31, 2004. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson Ward CPA Firm

Interlochen, MI
July 7, 2004

General Fund

**Bear Lake Township
Balance Sheet
General Fund**

As Of March 31, 2004

Assets

Cash In Bank and Investments	\$154,811
Accounts Receivable	0
Taxes Receivable	7,106
Due From Other Agencies	0
Due From Other Funds	0
Total Assets	<u>\$161,917</u>

Liabilities and Fund Balance

Liabilities

Accounts Payable	\$12,044
Accrued Salaries & Wages	0
Deferred Revenue	0
Due To Other Funds	0
Compensated Absences	0
Total Liabilities	<u>12,044</u>

Fund Balance

Reserved for Equipment Replacement	0
Unreserved	149,873
Total Fund Balance	<u>149,873</u>

Total Liabilities and Fund Balance	<u>\$161,917</u>
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THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Bear Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

For the Year Ended March 31, 2004

	General Fund <u>March 31, 2004</u>
<u>Revenue</u>	
Taxes	\$76,806
Admin Fees	18280
Licenses and Permits	4056
Charges for Services	5907
Interest & Rentals	9923
Other Revenues	2415
Donations	0
State Shared Revenue	87173
Cable Franchise Fees	0
Reimbursements	355
Total Revenues	<u>204914</u>
<u>Expenditures</u>	
Current	
Legislative	10065
General Government	116743
Planning and Zoning	5747
Sanitation	117274
Zoning Board	317
Other	2890
Total Expenditures	<u>253036</u>
Excess Revenue (Expenditures)	(48122)
Operating Transfers In (out)	(33000)
Fund Balance - Beginning of Year	230995
Prior Period Adjustment	<u>0</u>
Fund Balance - End of Year	<u><u>\$149,873</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Bear Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget Vs Actual
General Fund
For the Year Ended March 31, 2004

	Budget Year Beg. April 01, 2003	Budget Year Ended March 31, 2004	Actual Year Ended March 31, 2004	Variance Favorable (Unfavorable)
Revenue				
Current Property Taxes	\$42,000	\$42,000	\$67,652	\$25,652
Delinquent Tax	7,000	7,000	7,884	884
Penalties on Taxes	1,520	1,520	1,270	-250
Admin Fees	17,300	17,300	18,280	980
Licenses and Permits	3,145	3,145	4,056	911
State Shared Revenues	75,000	75,000	87,173	12,173
Use Fees	0	0	2,200	2,200
Charge for Services	1,320	1,320	5,907	4,587
Earned Interest	4,000	4,000	9,923	5,923
Rents and Royalties	0	0	0	0
Franchise Fees	0	0	0	0
Reimbursements	0	0	355	355
Misc	180	180	215	35
Total Revenues	151,465	151,465	204,914	53,449
Reimbursements	0	0	0	0
Total Receipts	151,465	151,465	204,914	53,449
Expenditure				
Legislative				
Township Board:				
Salaries and Wages	6,645	6,645	3,152	3,493
Supplies and Maintenance	500	500	495	5
Professional Services	1,200	1,200	1,200	0
Mileage	0	0	0	0
Printing and Advertising	320	320	319	1
Postage	0	0	0	0
Insurance and Bonds	3,684	3,684	3,683	1
Dues	875	875	874	1
Pension Settlement	181	181	180	1
Misc	168	168	162	6
Capital Outlay	0	0	0	0
Total Township Board	13,573	13,573	10,065	3,508
General Government:				
Township Supervisor:				
Salaries and Wages	7,967	7,967	7,966	1
Office Supplies	80	80	11	69
Misc	331	331	330	1
Mileage	20	20	17	3
Total Township Supervisor	\$8,398	\$8,398	\$8,324	\$74

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Bear Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

For the Year Ended March 31, 2004

	Budget Year Beg. April 01, 2003	Budget Year Ended March 31, 2004	Actual Year Ended March 31, 2004	Variance Favorable (Unfavorable)
Elections:				
Salaries and Wages	\$613	\$613	\$0	\$613
Office Supplies	373	373	371	2
Mileage	0	0	0	0
Misc	0	0	0	0
Capital Outlay	0	0	0	0
Total Elections	986	986	371	615
Legal:				
Legal-Elections	2,843	2,843	976	1,867
Legal-County	7,284	7,284	7,280	4
Total Legal	10,127	10,127	8,255	1,872
Assessor:				
Salaries and Wages	0	0	0	0
Supplies	866	866	866	0
Professional Services	23,496	23,496	23,496	0
Mileage and Travel	0	0	0	0
Misc	0	0	0	0
Capital Outlay	0	0	0	0
Total Assessor	24,362	24,362	24,362	0
Liquor Law Enforcement:				
Salaries and Wages	1,332	1,332	1,332	0
Misc	0	0	0	0
Total Liquor Law Enforcement	1,332	1,332	1,332	0
Clerk:				
Salaries and Wages	9,150	9,150	9,043	107
Office Supplies	700	700	443	257
Mileage	200	200	134	66
Capital Outlay	0	0	0	0
Misc	1,448	1,448	17	1,431
Total Clerk	11,498	11,498	9,636	1,862
Board of Review:				
Salaries	2,400	2,400	715	1,685
Supplies	271	271	179	
Education	270	270	270	
Misc	1,056	1,056	0	1,056
Total Board of Review	\$3,997	\$3,997	\$1,164	\$2,833

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Bear Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

For the Year Ended March 31, 2004

	Budget Year Beg. April 01, 2003	Budget Year Ended March 31, 2004	Actual Year Ended March 31, 2004	Variance Favorable (Unfavorable)
Treasurer:				
Salaries and Wages	\$11,196	\$11,196	\$11,196	\$0
Office Supplies	1,800	1,800	1,623	177
Telephone	0	0	0	0
Mileage	297	297	296	1
Misc	605	605	161	444
Capital Outlay	0	0	0	0
Printing	0	0	0	0
Total Treasurer	13,898	13,898	13,275	623
Township Hall and Grounds:				
Salaries & Wages	0	0	0	0
Benefits	0	0	0	0
Supplies	45	45	45	0
Prof Services	1,140	1,140	1,139	1
Mileage	0	0	0	0
Insurance and Bonds	1,576	1,576	1,575	1
Public Utilities	6,972	6,972	6,959	13
Repairs	3,554	3,554	3,270	284
Capital Outlay	28,273	28,273	28,272	1
Misc.	0	0	0	0
Total Township Hall	41,560	41,560	41,260	300
Cemetery:				
Salaries & Wages	4,298	4,298	3,184	1,114
Supplies	640	640	203	437
Grave Opening	2,775	2,775	1,070	1,705
Contracted Services	1,200	1,200	688	512
Mileage	0	0	0	0
Insurance and Bonds	438	438	200	238
Public Utilities	431	431	391	40
Repairs	1,980	1,980	861	1,119
Capital Outlay	0	0	0	0
Misc.	2,170	2,170	2,168	2
Total Cemetery	13,932	13,932	8,764	5,168
Total General Government	\$130,090	\$130,090	\$116,743	\$13,347

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Bear Lake Township
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

For the Year Ended March 31, 2004

	Budget Year Beg. April 01, 2003	Budget Year Ended March 31, 2004	Actual Year Ended March 31, 2004	Variance Favorable (Unfavorable)
Planning and Zoning:				
Salaries and Wages	\$3,217	\$3,217	\$1,365	\$1,852
Supplies	0	0	0	0
Mileage	0	0	0	0
Printing	1,210	1,210	1,209	1
Misc	2,050	2,050	55	1,995
Total Planning and Zoning	6,477	6,477	2,629	3,848
Planning and Zoning Admin:				
Salaries and Wages	2,150	2,150	1,749	401
Supplies	304	304	303	1
Mileage	700	700	700	0
Printing	0	0	0	0
Misc	1,588	1,588	365	1,223
Total Planning & Zoning Admin	4,742	4,742	3,118	1,624
Public Works:				
Roads	103,945	103,945	73,910	30,035
Sanitation	28,643	28,643	28,624	19
Sewer	15,002	15,002	14,741	261
Misc	0	0	0	0
Total Public Works	147,590	147,590	117,274	30,316
Zoning Board of Appeals:				
Salaries	2,997	2,997	317	2,680
Utilities	0	0	0	0
Total Zoning Board of Appeals	2,997	2,997	317	2,680
Other Expenses:				
Audit	2,000	2,000	2,000	0
Employee Benefits	0	0	0	0
Library	1,100	1,100	890	210
Contingency	144	144	0	144
Total Other Expenditures	3,244	3,244	2,890	354
Total Expenditures	303,971	303,971	253,036	54,052
Excess Revenues		(152,506)	(48,122)	
OTHER FINANCING SOURCES				
Operating Transfers In(Out)		(8,500)	(33,000)	
Excess Revenue & Other Financing Uses Over (Under) Expenditures			(81,122)	
Fund Balance - Beginning of Year			230,995	
Fund Balance - End of Year			<u>\$149,873</u>	

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Special Revenue Fund

**Bear Lake Township
Combining Balance Sheet
Special Revenue Funds**

As Of March 31, 2004

	Fire Fund	Fire Equipment Fund	Improvement Fund	Roads Fund	Total
Assets					
Cash in Bank	\$32,628	\$26,171	\$131,517	\$60,266	\$250,583
Taxes Receivable	2,469	0		0	2,469
Due From GF		0	4,204	0	4,204
Total Assets	35,097	26,171	135,721	60,266	257,256
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	0	0	0	0	0
Due to General Fund	0				0
Total Liabilities	0	0	0	0	0
Fund Balance					
Reserved for Equipment Replacement	0				0
Unreserved	35,097	26,171	135,721	60,266	257,256
Total Fund Balance	35,097	26,171	135,721	60,266	257,256
Total Liabilities and Fund Balance	\$35,097	\$26,171	\$135,721	\$60,266	\$257,256

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Bear Lake Township
Combining Statement of Revenues, Expenditures & Changes in Fund Balance
Special Revenue Funds

For The Year Ended March 31, 2004

	Fire Fund	Improvement Fund	Fire Equipment Fund	Road Funds	Total
<u>Revenues</u>					
Property Taxes	\$23,877		\$11,939		\$35,816
Delinquent Property Taxes	2,618		1,309		3,928
Interest	241	5,657	849		6,746
Miscellaneous	13,332			34,335	47,667
Total Revenue	40,068	5,657	14,096	34,335	94,156
<u>Expenditures</u>					
Wages and Salaries	11,580		0		11,580
Supplies	8,081				8,081
Fuel	0				0
Insurance	6,257				6,257
Inspections	2,253				2,253
Miscellaneous	1,846				1,846
Repairs	1,597				1,597
Capital Expenditures	0			104,568	104,568
Total Expenditures	31,614	0	0	104,568	136,183
Excess Revenue (Expenditures)	8,454	5,657	14,096	(70,234)	(42,027)
Transfer In/(Out)	0	0	3,000	30,000	33,000
Fund Balance - Beginning of Year	26,644	130,064	9,075	100,500	266,283
Fund Balance - End of Year	\$35,098	\$135,721	\$26,171	\$60,266	\$257,256

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Bear Lake Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Fire Fund

For The Year Ended March 31, 2004

	Actual
<u>Revenues</u>	
Property Taxes	\$23,877
Delinquent Tax	2,618
Interest	241
Miscellaneous	13,332
Total Revenue	<u>40,068</u>
<u>Expenditures</u>	
Wages and Salaries	10,639
Payroll taxes	941
Supplies	8,081
Fuel	0
Insurance	6,257
Inspections	2,253
Misc	1,846
Repairs	1,597
Capital Expenditures	0
Total Expenditures	<u>31,614</u>
Excess Revenues (Expenditures)	8,454
Fund Balance - Beginning of Year	<u>26,644</u>
Fund Balance - End of Year	<u><u>\$35,098</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Bear Lake Township
Balance Sheet
Fire Fund**

As Of March 31, 2004

<u>Assets</u>	
Cash In Bank and Investments	\$32,628
Taxes Receivable	2,469
Total Assets	<u>35,097</u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Accounts Payable	0
Due to General Fund	<u>0</u>
Total Liabilities	0
Fund Balance	
Reserved for Equipment Replacement	0
Unreserved	<u>35,097</u>
Total Fund Balance	<u>35,097</u>
Total Liabilities and Fund Balance	<u>\$35,097</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Bear Lake Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Improvement Fund

For The Year Ended March 31, 2004

<u>Revenues</u>	
Interest	<u>\$5,657</u>
<u>Expenditures</u>	
Contract Services	0
Miscellaneous	<u>0</u>
Total Expenditures	<u>0</u>
Excess Revenue (Expenditures)	5,657
Transfer from General Fund	
Fund Balance - Beginning of Year	<u>130,064</u>
Fund Balance - End of Year	<u><u>\$135,721</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Bear Lake Township
Balance Sheet
Improvement Fund**

As Of March 31, 2004

<u>Assets</u>	
Cash In Bank and Investments	\$131,517
Due From Other Funds (General)	<u>4,204</u>
Total Assets	<u>135,721</u>
<u>Liabilities and Fund Balance</u>	
Unreserved Fund Balance	<u>135,721</u>
Total Liabilites and Fund Balance	<u>\$135,721</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Bear Lake Township
Balance Sheet
Fire Equipment Fund**

As Of March 31, 2004

Assets

Cash In Bank	\$26,171
Taxes Receivable	0
Due from General Fund	0
Total Assets	<u>26,171</u>

Liabilities and Fund Balance

Liabilities	
Due to Improvement Fund	0
 Fund Balance	
Reserved for Equipment Replacement	0
Unreserved	26,171
Total Fund Balance	<u>26,171</u>
 Total Liabilities and Fund Balance	<u>\$26,171</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Bear Lake Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Fire Equipment Fund

For The Year Ended March 31, 2004

Revenues

Property Tax	\$11,939
Delinquent Tax	1,309
Interest	85
Total Revenue	<u>13,332</u>

Expenditures

Maintenance and Improvement	0
Capital Expenditures	0
Total Expenditures	<u>0</u>

Excess Revenues (Expenditures)	13,332
Fund Balance - Beginning of Year	9,075
Transfer In	<u>3,764</u>
Fund Balance - End of Year	<u><u>\$26,171</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Bear Lake Township
Balance Sheet
Road Fund**

As Of March 31, 2004

<u>Assets</u>	
Cash In Bank and Investments	\$60,266
Due From Other Funds (General)	<u>0</u>
Total Assets	<u>60,266</u>
<u>Liabilities and Fund Balance</u>	
Unreserved Fund Balance	<u>60,266</u>
Total Liabilities and Fund Balance	<u>\$60,266</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Bear Lake Township
Statement of Revenues, Expenditures & Changes in Fund Balance
Road Fund

For The Year Ended March 31, 2004

<u>Revenues</u>	
Receipts	<u>\$34,335</u>
<u>Expenditures</u>	
Contract Services	104,568
Miscellaneous	<u>0</u>
Total Expenditures	<u>104,568</u>
Excess Revenue (Expenditures)	(70,234)
Transfer from General Fund	30,000
Fund Balance - Beginning of Year	<u>100,500</u>
Fund Balance - End of Year	<u><u>\$60,266</u></u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS